

Brookfield REIC Q2 2025 Podcast Transcript **Recorded on May 6, 2025**

Dana Petitto (Dana): Hello everyone, and welcome to the inaugural Manager Minute Podcast for Brookfield REIC for the quarter ended March 31st, 2025.

This is a new format for us, so we really appreciate the interest of those who have downloaded the podcast or our streaming it. My name is Dana Petitto, I'm a managing director in the real estate group at Brookfield Asset Management, and I serve as the chief operating officer and portfolio manager for Brookfield REIT, which is the organization's semi-liquid, public non-traded real estate income trust.

Today I am thrilled to be joined by my fantastic colleague and friend, Devin Barnwell, a managing partner in our real estate group and co-head of our global logistics business.

Devin, welcome to our podcast. We're honored to have you as our first guest.

Devin Barnwell (Devin): Hi Dana. Thanks for inviting me to be here today.

Dana: So prior to drilling down a bit deeper into Brookfield's logistics real estate business with Devin, and in particular a recent acquisition we made in the sector, the agenda of these quarterly podcasts will also include a quick summary of performance of Brookfield REIT. So I'll start there.

The operating performance of our nearly \$2,500,000,000 portfolio remains strong. Occupancy stands at 96%. The weighted average lease term in our commercial portfolio is about eight years and the in-place leases represent a roster of primarily investment grade credit tenants. In addition, most of these leases have annual rent increases built in. And in our residential portfolio, we continue to drive rent and ancillary revenue growth, while also reducing expenses by utilizing our best in class operating platforms in multifamily single-family rental and student housing.

To summarize this, our investments are performing as we intended and are contributing income resulting in a 5% annualized distribution for our investors.

As it relates to valuations however, recent returns have been impacted in select instances by the higher interest rate environment we find ourselves in and to a lesser extent the overall economic uncertainty we're currently experiencing.

Particularly in Q1, the REIC generated a net total return of negative 2.45%.

With interest rates likely having peaked and a lack of new supply coupled with strong demand in our target sectors, we believe we may see capital appreciation on top of income yield moving forward.

We've recently deployed approximately \$150,000,000 of new capital into [00:04:30] investments that are expected to deliver core plus returns, which is probably a great segue.

So with that covered, we'll turn to our guest speaker.

Welcome Devin again. Devin, you've been with Brookfield for five and a half years now and currently lead our real estate logistics business. Can you give us a brief personal introduction and tell us a bit more about yourself?

Devin: Sure. I spent nearly the first 20 years of my career at Morgan Stanley in the real estate investing division, where I was primarily focused on asset management across sectors, but also had the opportunity to work on ground up development, REIT, take privates and overseeing operating companies. I moved to Brookfield in 2019 to oversee US operations for logistics, and at the time it was a sector I had noticed was really poised for market disruption due to changing supply chain pressures and consumer buying habits with the emergence of e-commerce. Of course, COVID arrived a few months later and the sector saw disruption beyond what I had envisioned. I moved into the head of portfolio management role 18 months later, which complimented both my experiences from Morgan Stanley and allowed me to continue to grow the logistics business organically here at Brookfield.

Dana: It's hard to believe that you started right after COVID because it feels like longer. Brookfield made its initial investment in the logistics sector about 13 years ago and since has really established itself amongst the global leaders in the industry. Maybe give us a sense of our scale and capabilities, around the globe.

Devin: Yeah, while we've been active investors in the logistics space since 2012, Brookfield's portfolio has grown tremendously since 2019, which is when we first established an integrated investing and operating platform following the sale of IDI and Gazeley. Today the global portfolio stands at more than \$25,000,000,000 in assets under management, with over 180,000,000 square feet across 17 countries. And we are one of only a few operators with a presence on five continents.

Dana: Yeah, you have a lot on your plate I'd say. Talk to us a bit about the state of logistics real estate today. It has certainly been one of the best performers amongst commercial sectors and has experienced tremendous growth, especially here, over the last decade, driven by factors including the proliferation of e-commerce, deglobalization and probably more recently, post-COVID, on-shoring and near-shoring, et cetera. Is this level of growth sustainable or has there been a leveling off?

Devin: There's no question that the sector has outperformed, especially bolstered by the pandemic effect. But as I just mentioned, this was just an acceleration of trends that were already driving demand for logistics space that have continued to have positive influence on the sector, even as the market has normalized in the past two years. But those forces that drove demand also resulted in tremendous supply growth. And we are working through the onslaught of new supply that delivered as a result of the COVID development boom. And currently have less than 2% of existing stocks slated to deliver in 2025, with the lowest new construction starts in years, due largely to the cost and availability of financing. Even so the market's relatively healthy in a historical context at around 6% national vacancy and supply should continue to remain balanced.

Dana: Okay, that's great. Great outlook for the sector. And maybe just switching gears from opportunities to challenges within the sector, this wouldn't be an objective interview if I didn't bring up the T word. So we're talking tariffs for those that couldn't guess. As we all know, it's a very fluid situation which changes by the day, if not some days by the hour. But what are you seeing thus far related to tariffs and the potential impact it may have on demand for industrial space?

Devin: It is definitely the topic du jour, but no one knows how this is going to play out. There are just too many unknowns. We do, however, continue to see green shoots of potential deals and softening of positions. And despite some shakiness in the economy as a result of that uncertainty, there's also positive news coming out like 177,000 new jobs added to the economy in April. So while I can't tell you how this tariff situation will be resolved, I can focus on the things I do know, which is the long-term fundamentals for the sector remain solid with continued e-commerce penetration accelerating. Retail sales grew 3.4% last year, while e-commerce sales grew 8%. Amazon recently announced a \$4,000,000,000 investment into their rural delivery network, which will help them more directly compete with Walmart in those markets.

And on-shoring was a trend we were seeing prior to the tariff announcement with US leasing requirements for manufacturing up 300%, from 2021 to 2024 over the pre-pandemic period. So with COVID exposing weakness in the supply chain coupled with the current tariff situation, I think on-shoring becomes less of a trend and more of a necessity for US businesses. So yes, there are uncertainties in the near term from this tariff situation that will cause some disruption and challenges, but the lack of new construction starts, which might even further slow down, if steel tariffs take effect, should keep supply in check and the overall fundamentals remain favorable, which may contribute to future rent growth and long-term strength in the sector.

Dana: That's great. We obviously focus a lot on strong fundamentals and I think that's a testament to our performance over the past few years in the REIT in particular. And we have seen some deals and so maybe we can pivot there and spend a few minutes discussing the acquisition of the US Diversified Logistics Portfolio, which is the most recent property investment made by Brookfield REIT. It actually increased our sector allocation in logistics from 5% to 13% of our total asset value. This was a deal I was and am very excited about because of the opportunity to earn fairly high returns on top of continuous solid yields. So how did your team source this acquisition? What particularly did you like about the portfolio? And how are we doing?

Devin: So when we saw illiquidity for the largest portfolios, especially where sellers were faced with fun life constraints or debt maturities, we were able to leverage Brookfield scale and availability of capital to execute on a large light industrial transaction with a wholesale to retail strategy. But because we were also seeing an appetite for smaller transactions in the market before even closing on the acquisition, we had identified buyers for non-strategic sub portfolios and through this sales strategy, we're able to curate a portfolio with attractive potential prospects for future value creation.

And there's a lot to like about light industrial real estate. Since 2020, bulk industrial supply has grown at more than 5% versus light industrial supply growing at less than 1.5% annually. Therefore, vacancy rates have been increasing for logistics assets across the US markets, but light industrial has only increased 40 basis points, while bulk industrial has increased 370 basis points nationally. This has led to continued rent growth for light industrial, even as bulk has slowed or even turned negative in certain markets where there are pockets of oversupply. And with multi tenant leases and shorter waltz, the ability to mark those leases to market quickly is an advantage of light industrial.

Our team specific to this portfolio has been hard at work executing on the business plan. We've already seen tremendous results with over 600,000 square feet of leases signed since acquisition, achieving almost 11% premium to underwritten net effective runs. And we are a very active asset manager. So the team underwrote a targeted capital plan to bring to Brookfield's standards and has engaged with our tenants. So we are meeting their needs to ensure that they renew when their

leases expire. Because in times of uncertainty it's important to understand not only market fundamentals and look for trends, but our focus should be on what we can control, operating assets in a best in class manner. And that is where Brookfield excels.

Dana: That's excellent. One last question. Can we do more deals like this?

Devin: Absolutely. We are currently looking at similar wholesale to retail strategy and we hope to be able to close on one very soon.

Dana: That's great. Well, Devin, thank you so much for joining our first podcast. Thanks to your team for all the hard work, especially on this recent acquisition. We're really excited about it.

And thanks to our listeners, we hope you enjoyed this and we look forward to you listening in the future. Thanks so much.

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- Brookfield REIT has only made limited investments to date and you will not have the opportunity to evaluate its future investments before Brookfield REIT makes them.
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